




**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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Supervisor Gloria Molina
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Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller 

SUBJECT: **DEPARTMENT OF PARKS AND RECREATION – FISCAL FOLLOW-UP
REVIEW**

At the request of the Audit Committee, we have conducted a follow-up review of the recommendations contained in our Phase I, II, and III fiscal reviews of the Department of Parks and Recreation (DPR). The initial audits were completed in March 2001.

STATUS OF RECOMMENDATIONS

The three initial audits included a total of 68 recommendations. Based on this review, we determined that the Department has implemented 30 recommendations, is in the process of implementing 20 recommendations, has not implemented 17 recommendations and has one recommendation that is no longer applicable. The following are examples of our findings.

Department Budget

The audit recommended that DPR management and the Chief Administrative Office (CAO) re-evaluate the individual components of the Department's budget to ensure that they represent the best estimate of expected results, based upon past experience and current operating trends.

During this follow up, we noted DPR reduced its temporary employee salary budget variance from approximately \$4.8 million over-budget in Fiscal Year (FY) 1999-00 to approximately \$550,000 under-budget during FY 2002-03. The Department also reduced its services and supplies budget variance from approximately \$1.5 million over-budget during FY 1999-00 to approximately \$1.1 million under-budget during FY 2002-03. While the Department appropriately reduced its over-expenditures, budget

variances are continuing. Therefore, we consider the budgeting recommendation to have been partially implemented.

Procurement and Payment Practices

The audit included nine recommendations to improve the Department's procurement procedures. Our testwork suggests a need for continued improvement. We reviewed samples of purchasing transactions and noted instances where:

- The Department either obtained less than the required three price quotes or obtained quotes that were outdated or expired.
- The Department purchased agreement items from non-agreement vendors.
- The Department was charged and paid more than the prices indicated in vendor agreements.
- The Department did not maintain receiving reports or any other receiving information to document that the Department actually received the items.
- The Department's payment files did not indicate who ordered and/or received the goods/services. Therefore, we could not verify that DPR had adequate separation of duties.
- The Department did not take available purchase discounts and payments were not always made timely.

We consider two of the procurement recommendations to be partially implemented and seven to be not implemented.

Payroll/Personnel

Our initial audit included 19 recommendations to improve the Department's payroll and personnel procedures. Our current review disclosed the Department has implemented eight of the payroll/personnel recommendations, partially implemented six recommendations, and has not implemented five recommendations. Examples of areas where the Department should continue working to improve payroll/personnel procedures include:

- Recovering previously identified overpayments to employees.
- Entering employee bonus and industrial accident information into CWTAPPS accurately and timely.
- Ensuring employees use correct leave codes.
- Separating certain personnel and payroll functions as required by the County Fiscal Manual.

Special Fund Transfers

The audit recommended that DPR monitor and transfer all available special revenue fund balances to the General Fund at least annually to reimburse the General Fund for eligible expenses.

During our current follow-up, we noted that, for four of the five special funds reviewed, the Department is appropriately making expenditures directly from the special funds. This practice meets the intent of our original recommendation. However, we noted that the Department has not reimbursed the General Fund for eligible expenditures for the Special Recreation Fund. As a result, the unspent balance in the Fund has increased from \$407,000 in FY 1998-99 to \$995,000 in FY 2002-03.

Because General Fund resources are limited and the special funds were specifically created to finance these operations, special fund proceeds should be fully utilized to finance eligible expenses. We consider the recommendation related to special fund revenue transfers to be partially implemented.

Special Fund Expenditure Policies

The audit recommended that DPR develop a policy memo to share with the Board, which describes the nature and purpose of each special fund, the sources of revenue and types of allowable expenditures. During our current follow-up, we noted that DPR has drafted but not finalized policies for its five special funds.

We also noted that the Department is making expenditures from the Special Development Fund that do not appear to meet the Fund's purpose. Since questionable charges continue to occur, we consider this recommendation to be not implemented.

Foundations

The audit recommended that DPR accurately report data on the Annual Reporting Form for Foundation Activities (ARFFA). During our current follow-up, we reviewed two reportable foundations and noted several instances where the Department did not report County costs/benefits. For example, we noted that the South Coast Botanic Garden Foundation uses DPR staff and County facilities. However, the Department did not report the costs for this support on their ARFFA. Without accurate cost/benefit data, the Department cannot ensure the cost effectiveness of each foundation.

We also noted that the California Arboretum Foundation's (CAF) financial statements indicate that the Foundation loaned the CAF Executive Officer, who is also a County employee, \$157,000 for the Officer's residential property. We noted that the Executive Officer/County employee is making the required loan payments and that the employee's working relationship with the Foundation was approved by the Board of Supervisors.

However, we believe that the Department should work with County Counsel to evaluate whether it is appropriate to use Foundation funds for a loan to a County employee. We consider this recommendation to be not implemented.

Details of our findings and a list of each recommendation and its current status are included in Attachments I and II.

REVIEW OF REPORT

We discussed the results of our review with Department management who indicated general agreement with our findings and they are committed to bringing their fiscal operations into full compliance with County policies. The Department will be submitting a detailed corrective action plan, including timelines, to the Board.

Please call me if you have any questions or your staff may contact DeWitt Roberts at (626) 293-1101.

JTM:DR:MP

Attachments

c: David E. Janssen, Chief Administrative Officer
Tim Gallagher, Director, Department of Parks and Recreation
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**DEPARTMENT OF PARKS AND RECREATION
FOLLOW-UP REVIEW OF AUDIT RECOMMENDATION STATUS**

Phase I

Budget Variances

In our Phase I audit, we noted that the Department of Parks and Recreation (DPR) consistently over spent its temporary employee salaries budget, while under spending its budget for permanent employee salaries. The audit recommended that DPR management and the Chief Administrative Office (CAO) re-evaluate the individual components of the Department's budget to ensure that they represent the best estimate of expected results, based upon past experience and current operating trends. The audit also recommended that DPR management separate the responsibilities for the budgeting and accounting functions.

During this follow up, we noted DPR reduced its temporary employee salary budget variance from approximately \$4.8 million over-budget in Fiscal Year (FY) 1999-00 to approximately \$550,000 under-budget during FY 2002-03. The Department also reduced its services and supplies budget variance from approximately \$1.5 million over-budget during FY 1999-00 to approximately \$1.1 million under-budget during FY 2002-03. While the Department appropriately reduced its over-expenditures, budget variances are continuing.

In addition, DPR filled a new Chief Deputy position. This position serves as a buffer between the Department's Assistant Director and Director and provides for an additional layer of accountability for DPR's budgeting and accounting units.

We consider the recommendation related to re-evaluation of individual components of the Department's budget to have been partially implemented and the recommendation related to separating the budgeting and accounting duties to have been implemented.

Expenditure Accruals

The Phase I audit recommended that the Department no longer delay paying bills and ensure that amounts owed at year-end are recorded as accounts payable accruals. The audit also recommended DPR perform an analysis at the end of each fiscal year to determine its outstanding accounts payable and ensure expenditure accruals are established only for goods/services received as of June 30th that will be paid in the subsequent fiscal year.

The Department improved its bill paying procedures. We selected a sample of 30 bills paid during July and August 2002 and recorded as FY 2002-03 expenditures to determine if they should have been recorded as FY 2001-02 expenditures. We noted that all 30 bills were properly paid as FY 2002-03 expenditures and did not need to be established as prior-year accruals.

Our current review also disclosed that the Department automatically carried over only 7% of the remaining encumbrance balances at the end of FY 2001-02. The Department subsequently cancelled 39% of the amount automatically carried because it was not needed.

We also sampled 20 payments charged against the accruals established at the end of FY 2001-02 and noted that ten of the payments, totaling \$45,000, related to goods received during FY 2002-03. These payments should have been recorded as current year expenditures.

DPR's Procurement Section indicated they do analyze year-end purchases prior to establishing accruals. However, staff could not document that the analyses were conducted. Department management needs to increase its monitoring of year-end expenditure accruals to ensure that accruals are established only for goods/services received as of June 30th that will be paid in the subsequent fiscal year.

The recommendations related to payment timeliness have been implemented and the recommendations related to accounts payable and expenditure accruals have been partially implemented.

Commitments

The Phase I audit recommended that DPR carefully review outstanding encumbrances at fiscal year-end to determine the amount of each commitment that should be carried forward into the next fiscal year. The audit also recommended that DPR monitor commitments throughout the year so they may be reduced or cancelled.

We reviewed five of the 22 encumbrances that the Department carried forward as contract commitments at the end of FY 2002-03. We noted that the Department's Accounting Section determined the amount to be carried forward into the next fiscal year based on historical cost and project needs. We also noted the Accounting Section has established adequate procedures to cancel or reduce commitments at the following times:

- In September or October, once the prior-year books are closed,
- In February, when the Auditor-Controller's (A-C) Accounting Division requires each department to review outstanding commitments,
- When the final payment is made against an encumbrance.

During our testwork, we noted that the Department reviewed and properly reduced and/or cancelled commitments as appropriate.

We consider the recommendations related to commitments to be implemented.

Revenue

The Phase I audit recommended that year-end revenue accruals include only those amounts that have actually been earned and that the accruals are complete.

The Department has improved its procedures for establishing revenue accruals. We tested two general accounts receivable and five concession receivables, totaling \$676,000 that were accrued at the end of FY 2001-02. We verified that the revenues were earned during FY 2001-02 and that DPR is appropriately accruing concession revenues. Additionally, we sampled five postings to the Department's FY 2002-03 revenue accounts totaling approximately \$13,000 and verified that the revenue was earned during FY 2002-03.

In our initial audit, we also noted large variances in individual revenue categories because DPR did not budget revenue in the same category/class where the revenue was posted on the Countywide Accounting and Purchasing System (CAPS). For example, in FY 1998-99, the Department over-realized revenue by \$4.6 million in Legal Services and under-realized revenue by \$10.1 million in Charges for Services.

The Department has improved its revenue budgeting and posting procedures. During our follow-up, we noted the variances have been significantly reduced. For example, the FY 2001-02 Legal Services revenue was under-realized by approximately \$8,500, and Charges for Services revenue was under-realized by approximately \$702,000.

We consider the recommendations related to revenue to be implemented.

Phase II

Monitoring Fiscal Controls

The audit recommended that DPR management actively monitor the Department's compliance with required fiscal controls.

The Department monitors fiscal controls by completing its Internal Control Certification Plan (ICCP) review annually as required by the A-C. The ICCP review is supposed to be completed by May. However, we noted that the Department did not complete their FY 2002-03 ICCP until October 2003. Department management indicated that employee turnover and staffing shortages delayed implementation of their plan for on-going fiscal monitoring. Management indicated that they recently started monitoring implementation of their FY 2002-03 ICCP corrective action plan.

We consider the recommendation related to fiscal monitoring to be partially implemented.

Procurement and Payment Practices

The audit included nine recommendations to improve the Department's procurement procedures. In general, these recommendations focused on ensuring that DPR purchases are made from the appropriate agreement or non-agreement vendors, the minimum number of bid quotations are obtained and documented, purchases are matched against the invoices, agreement terms and receiving reports prior to issuing payment and that cash discounts are taken where possible. Additional recommendations included ensuring that payments are made timely and that personnel who order good/services do not also receive the good/services and certify quantities.

To address these recommendations, DPR developed guidelines and procedures requiring purchases to be reviewed to ensure compliance with County procurement rules. The Department indicated that the procedures have been communicated to all affected staff and are reemphasized at each bi-monthly procurement meeting. However, our testwork indicates a need for continued improvement.

We reviewed samples of purchasing transactions and noted the following exceptions:

- For four (40%) of ten non-agreement purchases reviewed between \$1,501 and \$10,000, the Department either obtained less than the required three price quotes or obtained quotes that were outdated or expired.
- For two (20%) of ten non-agreement purchases reviewed, comparable items could have been purchased from an agreement vendor. Although the Department obtained bids for these purchases, the Department paid \$5,658 more than the agreement prices.
- For four (40%) of ten agreement purchases reviewed, the invoice prices did not match the agreement prices. For example, we tested six items purchased on one invoice and found that the vendor overcharged the Department for four of the items. The overcharges totaled \$214.
- For two (20%) of ten agreement purchases reviewed, the Department purchased \$2,671 in non-agreement items from an agreement vendor without obtaining the required price quotes.
- For three (15%) of 20 purchases, the Department did not maintain receiving reports (packing slips) or any other receiving documentation. In addition, for one transaction, the packing slips contained unexplained increases to the number of items shipped. Without adequate receiving documentation, we could not confirm that the Department actually received the items.
- For 14 (70%) of 20 purchases, we could not verify that DPR had adequate separation of duties, since DPR's payment files did not indicate who ordered

and/or received the goods/services. Additionally, we noted one instance where the same person ordered and received the goods.

- The Department did not take three of the four available purchase discounts, resulting in a loss of \$316 in potential savings.
- Fourteen (70%) of 20 payments reviewed were made an average of 37 days after the due date.

In some instances, the exception rates noted in our current review exceeded the exception rates identified in our original report. The Department needs to closely monitor procurement transactions to ensure compliance with County purchasing guidelines.

We consider two of the procurement recommendations to be partially implemented and seven to be not implemented.

The audit also recommended that DPR ensure that staff compute adjustments to vendor invoices accurately, regularly monitor the suspense file and use the CAPS scheduled payment date feature to ensure payments are not made earlier than necessary. We reviewed the Department's suspense file and noted that DPR staff are periodically reviewing the suspense listing and resolving transactions that appear on the listing for extended periods. In addition, we sampled 20 transactions and noted that all recalculations were adequately documented and that payments were not made earlier than required.

We consider the recommendations regarding invoice adjustments and suspense file monitoring to be implemented.

Contracting

The audit recommended that the Department develop standard language for all Board letters disclosing the potential for exceeding the maximum contract amount and requesting authority to make additional payments up to a specified amount without notifying the Board. In addition, the audit recommended that proposal evaluation forms conform to Invitation for Bids provisions.

To implement these recommendations, DPR developed a Board letter template that contains standard language disclosing the potential for exceeding the contract amount and requesting authority to make additional payments up to 10% of the contract amount. We also noted that the Accounting Section maintains a contract payment log with year-to-date balances to identify contracts approaching the maximum contract amount.

We reviewed DPR's contract payment tracking reports, which are submitted to the CAO on a monthly basis, and did not note any instances where the Department made

payment exceeding the maximum contract amount. Furthermore, we reviewed bids from two recent contracts and verified that DPR adequately completed the evaluation summaries and penalized vendors who submitted bids without all the required documents. In addition, we noted the evaluation forms conformed to the solicitation documents.

We consider the contracting recommendations to be implemented.

Concession Revenue

The audit recommended that the Department track concession revenue more closely and notify concessionaires in writing of overdue payments. Further, the audit recommended that DPR seek County Counsel assistance in ensuring that all required County clauses are included in the Summer Food Services Program (SFSP) contracts.

In our December 2001 follow-up, we reported that DPR began tracking concession revenue to ensure payments are received. We also reported that the Department notified vendors in writing of past due amounts and collected all fees and late fees due. In addition, we noted that DPR consulted with County Counsel and developed a checklist of standard contract provisions. Further, we noted that management instructed the Contracts Division to incorporate the specific clauses cited in our audit into the SFSP contracts.

In our current review, we selected a sample of 15 late payments from concessionaires and verified that DPR appropriately notified the concessionaires in writing of past due amounts and assessed/collected the late payment fees. However, our review disclosed that DPR's South Agency personnel did not include in their SFSP contracts the clause requiring vendors to consider GAIN/GROW participants for employment. DPR should work with County Counsel to update the contract accordingly.

We consider the two recommendations related to concessions to be implemented and the SFSP recommendation to be partially implemented.

Warehousing and Fixed Assets/Portable Equipment

In our initial audit, we noted that DPR's inventory software was inaccurate and outdated. Therefore, the audit recommended that DPR obtain accurate and reliable perpetual inventory software that is compatible with the Department's warehouse computers. To address this recommendation, DPR developed and installed computer software to track inventory items at all three warehouse facilities (North, South and East Agencies).

We selected a sample of 25 items from DPR's inventory records at the South warehouse and noted that the inventory records accurately reflected all of the items reviewed. In addition, we selected 10 items from the warehouse shelves and verified that the items selected were appropriately recorded in the inventory records.

We consider the recommendation to obtain accurate inventory software to be implemented.

The audit also recommended that DPR staff conduct accurate inventories of fixed assets and portable equipment, and ensure that inventory records are properly updated. DPR Budget and Management Services Division developed a plan to monitor for compliance and to follow up on noted exceptions beginning January 2002.

During our current review, we noted that the Department submitted their most recent fixed asset inventory to the A-C approximately six months after the required due date. We tested ten items from the Department's fixed asset records and were able to locate all ten items. We also sampled 25 portable items observed at DPR headquarters and noted that six items (24%) were not included on the Department's most recent portable inventory listing. In addition, we could not physically locate two (10%) of the 20 items shown on the Department's portable equipment listing.

We consider the recommendation related to fixed assets and portable equipment to be partially implemented.

Payroll/Personnel

Payroll Exceptions

Our initial review identified 22 payroll errors that resulted in overpayments to employees. The audit recommended that management correct the errors by initiating overpayment recoveries, issuing supplemental warrants and adjusting leave benefit balances, as appropriate.

In our December 2001 follow-up, we noted that the Department corrected 12 of the 22 payroll exceptions identified in our original report. Our current review disclosed that DPR corrected eight of the ten remaining exceptions. However, we noted that, for seven of the eight new corrections, the Department did not initiate recovery on overpayments totaling \$5,800.

We consider the recommendation related to correcting payroll errors to be partially implemented.

Bonuses

The audit included four recommendations for DPR to re-evaluate and periodically review all bilingual bonuses, ensure that proper out-of-class bonus earning codes are entered into the County-Wide Timekeeping and Payroll Personnel System (CWTAPPS), recalculate bonuses requiring manual calculation and enter bonuses transaction into CWTAPPS by the A-C deadlines. To implement these recommendations, DPR Personnel began sending quarterly listings of employees receiving bilingual bonuses to

the appropriate managers for recertification. DPR management also indicated that they provided additional training to staff on bonus coding.

We reviewed ten employees receiving bilingual bonuses and verified that each employee was eligible to receive the bonus. We also verified that the Department's quarterly recertification listing contained all DPR employees receiving bilingual bonuses. However, DPR management indicated that they had discontinued reviewing bilingual bonuses after August 2002. The Department indicated that they planned to begin reviewing bonuses again by March 2004.

We also reviewed 12 out-of-class bonuses to ensure the Department utilized the correct bonus earnings code. We noted four (33%) instances where the Department incorrectly coded CWTAPPS, resulting in underpayments totaling \$3,177. In addition, we reviewed 16 bonus transactions to ensure timely entry by the A-C deadlines. We noted six (37%) instances where bonuses were entered into CWTAPPS an average of 13 days late.

We consider the four recommendations related to employee bonuses to be partially implemented.

The audit also included two recommendations for DPR to periodically review employees receiving the Welfare Recipient bonus and monitor standby hour scheduled/worked to ensure employees do not earn more than the maximum allowable amount per month.

We noted that only one employee currently receives the Welfare Recipient bonus and verified that the Department appropriately reviews this employee's bonus on a quarterly basis. Further, we reviewed 42 employees receiving standby pay and found no instances where their standby earnings exceeded the maximum monthly amount.

We consider the recommendations related to Welfare Recipient bonuses and standby hours to be implemented.

Leave Accounting

The audit recommended that the Department ensure that correct leave codes are used while employees are on extended sick leave and that employees do not use 100% time once they begin receiving part-pay sick leave. DPR indicated that they have provided training to staff.

We reviewed five employees who utilized long-term sick leave benefits and noted four instances where employees incorrectly used part-pay sick leave benefits before exhausting all of their 100% sick time and/or employees used 50% time before all 65% leave time was utilized. In addition, we noted one instance where DPR used part-pay sick leave before the five consecutive calendar day wait period was completed.

We consider the recommendations related to leave codes to be not implemented.

The audit also recommended that DPR maintain medical verification when an employee is absent as a result of a prior injury/illness, and suspend bilingual bonuses when an employee's absence exceeds sixty calendar days.

DPR issued a memo to remind staff of the requirements to obtain and maintain medical verification for a prior injury/illness. DPR Payroll management also indicated that the Department has not had a recent case where an employee was absent as a result of a prior injury/illness. We selected 15 payroll files of employees who used significant sick leave for review and noted no instances where employees were absent due to prior injury/illness. We also reviewed 20 payroll files to ensure that bonuses are discontinued after 60 consecutive days of absence. We did not note any material exceptions.

We consider the recommendations related to long-term illnesses to be implemented.

Industrial Accidents

The audit included five recommendations to improve DPR's workers' compensation policies and procedures. Specifically, we recommended that the Department ensure staff properly code CWTAPPS for Third Party Administrator (TPA) adjustments/post salary continuation period, notify the TPA when an injured employee returns to work, and assist in the collection of overpayments. We also recommended that DPR ensure leave benefits are properly restored to employees in accordance with the County Code.

DPR's Safety Office created an "Industrial Accident Memorandum" form to improve communication between the Safety Office, the TPA and the Department's Payroll Unit. The Safety Office uses this form to notify Payroll when the TPA requests an adjustment. DPR management also indicated that they have provided training to staff.

We reviewed five employees receiving post salary continuation benefits and noted three instances where employees received more than their maximum allowable benefit amounts. This resulted in overpayments totaling \$2,796. However, we did note that DPR appropriately notifies the TPA when an employee returns to work and assists in the collection of overpayments. In addition, we reviewed five employees who took leave for industrial injuries and noted that the Department appropriately restored the employees' leave benefits.

We consider the two recommendations related to TPA adjustments in CWTAPPS and post salary continuation coding to be not implemented because of the high error rate and the remaining three recommendations related to TPA notification, assistance in overpayment recoveries, and restoration of leave benefits to be implemented.

Payroll/Personnel Controls

The audit recommended that the Department periodically review employees' CWTAPPS profile assignments for appropriateness, use separate processing centers on CWTAPPS to prevent staff's access to their own payroll/personnel information and assign warrant handling responsibilities to individuals with no other payroll/personnel functions.

To implement these recommendations, DPR indicated that they regularly monitor CWTAPPS access for appropriateness and added a processing center for payroll staff. The Department also planned to have an employee who does not have the ability to change information on CWTAPPS perform monthly reviews of all pertinent personnel screens (e.g., bonus, job change, etc.) to ensure changes were authorized.

We reviewed the job specification/descriptions for all staff with CWTAPPS access and noted that each employee's profile assignment appeared reasonable. However, we noted that the employee assigned to review charge changes in CWTAPPS also has the ability to change her own information on the system. DPR also continues to have warrants and deposit notices delivered directly to the Personnel Section and payroll staff are still responsible for the distribution.

We consider the recommendation related to reviewing CWTAPPS profile assignments to be implemented, the processing centers recommendation to be partially implemented, and the recommendation to reassign the warrant distribution functions to be not implemented.

Phase III

Special Funds

Special funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Planned services and supplies (S&S) expenditures are budgeted and accounted for separately from departments' General Fund budgets. Any salary and employee benefit (S&EB) expenditures related to the special funds are budgeted in the General Fund. The General Fund is then reimbursed from the special funds once the special fund related S&EB expenditures are made.

DPR has established special funds for a variety of activities, including park improvements, golf course maintenance, and recreation programs.

Special Fund Transfers

During our initial audit, we noted that DPR had accumulated money for several years in its special funds, while at the same time they were incurring General Fund expenditures that could have been paid by the special funds. The Department reimbursed the

General Fund for these eligible expenses only when needed to help balance the Department's budget, rather than routinely to offset eligible expenses. Therefore, the audit recommended that DPR monitor and transfer all available special revenue fund balances to the General Fund at least annually to reimburse the General Fund for eligible expenses.

During our current follow-up, we noted that, for four of the five special funds reviewed, the Department has not made significant transfers to the General Fund. However, management indicated they have not spent General Fund monies for items that were eligible special fund expenditures. Therefore, transfers have not been appropriate. Instead, we noted the Department is appropriately making expenditures directly from the special funds. This practice meets the intent of our original recommendation.

However, we did note that the Department has not reimbursed the General Fund for eligible expenditures for one of its five special funds (the Special Recreation Fund or SRF). Specifically, we noted staff did not transfer revenues to the General Fund for any of the three Special Recreation program "K" Accounts we reviewed. For example:

- Departmental staff indicated that staffing costs for three programs that generated \$1,360 in SRF donations were paid for from the General Fund.
- Staffing costs for the Family Music Festival were paid for from the General Fund and were not reimbursed by the SRF.
- DPR's North Agency has a practice of depositing 50% of program fees directly to the General Fund to reimburse the General Fund for any program expenses, without calculating how much the General Fund should actually be reimbursed.

We noted that DPR does not have procedures for determining program staffing costs and reimbursing the General Fund for SRF expenditures. Therefore, the Department could not provide us with the actual costs that should have been reimbursed to the general fund. By not making periodic transfers to the General Fund, the unspent balance in the Special Recreation Fund has increased from \$407,000 in FY 1998-99 to \$995,000 in FY 2002-03.

Because General Fund resources are limited and the special funds were specifically created to finance these operations, special fund proceeds should be fully utilized to finance eligible expenses. Accumulated balances in special funds made it possible for the Department to make the questionable transfers to the General Fund noted in our original report. The Department should continue to ensure eligible expenditures are paid directly from special funds whenever possible. In situations where eligible expenditures are made from the General Fund, the Department should reimburse the General Fund periodically.

We consider the recommendation related to special fund revenue transfers to be partially implemented.

Special Fund Expenditure Policies

During our initial review, we noted that documentation describing the purpose of the Department's special funds was either vague or did not exist, and that expenditures did not always appear to meet the intended purpose of the funds. Therefore, the audit recommended that DPR work with the CAO and the A-C to develop a policy memo to share with the Board, which describes the nature and purpose of each special fund, the sources of revenue and the types of allowable expenditures.

During our current follow-up, we noted that DPR has not finalized policies for any of its five special funds. Specifically:

- DPR drafted policies for three of the five funds and provided them to the A-C and CAO. The A-C provided feedback on the draft policies. However, feedback from the CAO is still pending.
- DPR management indicated that the remaining two policy memos were being drafted and should be completed in June 2004.

Without policies describing the specific purpose and allowable expenditures for each fund, it is difficult to ensure the funds are spent appropriately. However, we noted that the Department is continuing to make expenditures from the Special Development Fund (SDF) that do not appear to meet the Fund's purpose. Based on correspondence that initiated the Fund, the Fund was intended to pay for capital improvements. However, we noted DPR charged the SDF for services and supplies items such as staff uniforms, equipment repair, and cleaning supplies. We also noted that DPR used \$7,900 of SDF funds to purchase a tractor. The Department's draft policies specifically prohibit the use of SDF funds for vehicles.

The Department needs to work with the CAO to finalize all special fund policy memos. In addition, management needs to ensure that expenses charged against special funds are in accordance with the purpose of the funds.

Because questionable charges continue to occur, we consider this recommendation to be not implemented.

Special Fund Budgets

In our initial review, we noted significant budget variances for the Golf Course Special Fund (GCSF) and the SDF. Therefore, the audit recommended that DPR re-evaluate the budgets for the Golf Course Special Fund and the SDF to ensure they represent the best estimate of actual results, based upon past experience and operating trends.

We reviewed the Department's FY 2002-03 supporting budget documentation for the GCSF and SDF. We noted that DPR formally documented the GCSF budget based on planned project expenditures. However, for the SDF, the Department did not document

its planned project expenditures or estimated revenues. In addition, we noted significant budget variances are continuing. Specifically:

- The Department spent \$1.4 million (30%) and \$2 million (53%) less than budgeted for GCSF services and supplies in FY 2001-02 and 2002-03, respectively. In addition, the Department collected \$1.3 million (29%) and \$2 million (53%) less in revenue than budgeted for the past two fiscal years.
- The Department spent \$332,000 (30%) and \$466,000 (54%) less than budgeted for SDF S&S in FY 2001-02 and 2002-03, respectively. In addition, the Department collected \$147,000 (25%) more in revenue than budgeted in FY 2002-03 compared to an excess of only \$13,000 (2%) in the prior fiscal year.

Based on these variances, the Department needs to take additional actions to ensure that the GCSF and SDF budgets represent the best estimate of actual results.

We consider the recommendation related to special fund budgets to be partially implemented.

The Audit also recommended that DPR include all special funds in the County budget and that DPR develop a plan to utilize the balance remaining in the inactive County Trails Special Fund (CTSF).

We verified that the Department included all of its current special funds in the FY 2002-03 budget. We also verified that the Department prepared a spending plan for the CTSF and that expenditures are being made according to plan, and are appropriately approved.

We consider the recommendations related to disclosing special fund budgets and utilizing the remaining balance in the CTSF to be implemented.

Special Recreation Fund Deposits and Transfers

DPR established a Special Recreation Fund (SRF) in 1988 to pay for recreation programs. The SRF obtains its revenue from fees charged for Department-sponsored events. During our initial audit, we noted the Department deposited non-SRF fees, such as vendor rental fees and concession revenue collections, into the SRF instead of the General Fund. Therefore, the audit recommended that DPR ensure collections are deposited in accordance with Board approved guidelines.

We sampled three SRF "K" Accounts and noted the Department continues to deposit non-SRF fees into the SRF. For example, we noted:

- For one account, in one month, the Department deposited seven vendor rental fees totaling \$2,700 into the SRF, which should have been deposited into the General Fund.

- For another account, between July 2002 and February 2003, the Department deposited 12 donations totaling \$5,600 into the SRF. Since these donations were for facility repairs and improvements at Castaic Lake, and not for recreation programs, the Department should have deposited the funds into the Special Development Fund. We also noted four additional deposits, totaling \$6,500, where the Department could not document the source of the funds and therefore, we could not determine if the funds were deposited into the correct account.

The Department needs to more closely monitor to ensure only allowable collections are deposited into the SRF.

We consider the recommendation related to special fund deposits to be not implemented.

The audit also recommended that DPR require transfers between “K” Accounts to be approved by an Assistant Director or higher, and contain an explanation for the transfer. We verified that all six transfers between K Accounts during FY 2002-03 were appropriately approved and explained.

We consider the recommendation to approve special fund transfers to be implemented.

Trust Fund Revenue Distribution Documentation

The Department’s field locations record how revenue should be recorded (e.g., special fund revenue, General Fund revenue, etc.) on Departmental Receipts. Collections are initially deposited into a trust account. Field locations are then supposed to submit Departmental Receipts indicating how the collections should be allocated.

During our initial review, we noted field locations were not submitting Departmental Receipts timely, and the Accounting Section was transferring collections from trust to the General Fund without supporting documentation. Therefore, the audit recommended that DPR ensure that field locations submit revenue distribution information to the Accounting Services Section in a timely manner and that all transfers of funds from trust accounts be supported by proper documentation.

We sampled ten trust deposits and noted that three of the deposits totaling \$2,200 have been in trust for over one year and field locations have not submitted receipts indicating where the funds should be deposited. As a result, the Accounting Services Section cannot distribute the funds and transfer the appropriate revenue to the General Fund. We also noted that for one deposit, totaling \$1,800, the Accounting Section received the receipt from the field location, but did not transfer the funds.

We noted that the Accounting Section does send notices to the field locations to follow up on outstanding deposits. However, our testwork indicates the Department needs to take additional action to ensure outstanding deposits are resolved timely.

We consider the recommendation regarding the timely receipt of revenue distribution documentation to be partially implemented.

Inactive Trust Funds

The audit recommended that DPR develop spending plans for the \$220,000 remaining in five inactive trust funds and work with the Board offices and the grantor agencies to obtain their approvals of the plans. The five inactive trust funds now contain approximately \$244,000.

Since our last review, we noted DPR has developed a plan to spend the remaining balance for four of the funds (\$46,000) and is currently working with the Board of Supervisors to develop a spending plan for the fifth fund (\$198,000).

We consider this recommendation to be partially implemented.

The audit also recommended that DPR review all trust funds yearly and close inactive funds if appropriate.

Department managers told us they make an effort to identify inactive trust funds and, if appropriate, they request the A-C to close the inactive funds. However, the Department has not developed procedures to review trust funds annually.

We reviewed the Department's trust records and noted five additional funds that have been inactive, except for interest income, since July 2002. These funds have balances totaling \$729,000. DPR has not yet reviewed these funds to determine whether they should be closed. Maintaining balances in trust funds, where the need for the fund no longer exists, ties up funds that the Board could appropriate. Therefore, DPR management needs to develop procedures to review and close inactive trust funds.

We consider the recommendation to close inactive trust funds to be not implemented.

Trust Reconciliations

In our initial review, we noted the Department did not always reconcile its internal trust records to CAPS timely and did not always promptly resolve outstanding transactions. The audit recommended that DPR reconcile departmental trust funds timely and ensure that outstanding/unreconciled transactions are resolved promptly.

Our follow-up indicates that the Department has stopped keeping internal accounting records for five of the seven trust funds we reviewed. In addition, for the two trust funds for which the Department is maintaining internal trust accounting records, we noted the records do not track account balances. Therefore, staff cannot reconcile balances to CAPS. Per CAPS, the seven trust funds have combined balances totaling approximately \$4 million at the end of FY 2002-03.

County Fiscal Manual Section 2.3.0 requires departments to maintain detailed records of the composition of trust fund balances to ensure the integrity of trust fund activity. DPR provided us with their reconciliations for all seven funds tested. However, since the Department does not have adequate internal trust records, instead of reconciling internal control account balances to CAPS and identifying outstanding/unreconciled transactions, we noted the Department is simply matching transaction documents (e.g., Journal Vouchers) to CAPS.

In order for trust reconciliations to be useful, the Department must maintain accurate detailed accounts and reconcile them to CAPS. Management told us they plan to improve their monitoring of the revenue tracking system and develop control accounts for their trust funds.

We consider the recommendation related to trust reconciliations to be not implemented.

Grants Expenditures and Claims

The audit recommended that DPR monitor grant expenditures more closely so that grant funds are fully utilized and seek Board/Community Development Commission approval to reallocate funds among cost categories or from one grant to another when necessary. The audit also recommended that DPR submit grant claims and County billings within required timeframes and ensure that administrative costs claimed on Community Development Block Grants (CDBG) are based on the A-C's indirect cost rates.

Our review noted that DPR monitors grant fund expenditures and requests Board/Community Development Commission approval to reallocate grants funds in an attempt to maximize fund usage. However, we noted that additional improvements are needed in the monitoring and utilization of grant funds. For two of three grants we reviewed, DPR overspent its budget in the administrative and personnel cost categories, while underspending in the Non-Personnel cost category. DPR did not request a reallocation of funding for these two grants, resulting in \$3,849 in unrecovered costs. In addition, we noted DPR did not request Board and grantor approval to shift funds to another grant when the Department did not spend \$6,400 of the \$50,000 grant.

We tested nine CDBG claims, and the most recent Federal Family Support Grant billing, and noted all were submitted within the required timeframes. In addition, we verified DPR based the administrative costs for all nine CDBG claims costs on the A-C's indirect cost rates.

We consider the recommendations related to monitoring grant expenditures to be partially implemented and the recommendations related to grant claims to be implemented.

Foundations

In our initial review, we noted DPR did not report the cost/value of all support provided to foundations as required by County policy. Therefore, the audit recommended that DPR accurately report data on the Annual Reporting Form for Foundation Activities (ARFFA). The audit also recommended that DPR issue a written notice to the Friends of Greater Los Angeles Parks (FOGLAP) Foundation, describing the particular objectives they must achieve within a specified time frame in order to continue its relationship with the Department.

During our follow-up, we reviewed ARFFA's for two reportable foundations and noted several instances where the Department did not report County costs/benefits. For example, DPR staff and County facilities are used for the South Coast Botanic Garden Foundation's fundraisers, activities, and meetings. The Department did not report the costs for this support on the ARFFAs. In addition, we noted that the Department did not report \$62,110 in supplemental salaries that the California Arboretum Foundation (CAF) paid to Department employees as required by County Code Section 5.44.

We also noted that the CAF's financial statements indicate that the Foundation loaned the CAF Executive Officer \$157,000 for the Officer's residential property. The Executive Officer is also a County employee. While we noted that the employee is making the required loan payments and that the employee's working relationship with the Foundation was approved by the Board of Supervisors, we believe the Department should request County Counsel to review the legality of CAF loaning Foundation funds to a County employee.

In October 2001, DPR suspended providing support to FOGLAP, when the Foundation did not respond to the Department's request for an action plan. We noted that DPR has not provided support to the Foundation since our last follow-up review. DPR has expressed an interest in re-establishing their relationship with FOGLAP. However, the Department stressed that the Foundation would have to make structural changes to their bylaws and provide an action plan before they could consider continuing their relationship.

We consider the recommendation related to accurately reporting foundation data to be not implemented and the recommendation for the Department to re-evaluate their relationship with FOGLAP to be implemented.

New Recommendation

DPR management request County Counsel to review the legality of California Arboretum Foundation loaning Foundation funds to a County employee.

**Status of Recommendations from
Phases I, II and III**

Phase	Reco. #	Audit Area	Current Status
I	1	Budget Variances	Partially Implemented
I	2	Budget Variances	Implemented
I	3	Expenditure Accruals	Implemented
I	4	Expenditure Accruals	Implemented
I	5	Revenue	Implemented
I	6	Revenue	Implemented
I	7	Commitments	Implemented
I	8	Commitments	Implemented
I	9	Expenditure Accruals	Partially Implemented
I	10	Expenditure Accruals	Partially Implemented
II	1	Monitoring Fiscal Controls	Partially Implemented
II	2	Procurement and Payment Practices	Not Implemented
II	3	Procurement and Payment Practices	Not Implemented
II	4	Procurement and Payment Practices	No Longer Applicable
II	5	Procurement and Payment Practices	Not Implemented
II	6	Procurement and Payment Practices	Not Implemented
II	7	Procurement and Payment Practices	Partially Implemented
II	8	Procurement and Payment Practices	Partially Implemented
II	9	Procurement and Payment Practices	Implemented
II	10	Procurement and Payment Practices	Not Implemented
II	11	Procurement and Payment Practices	Not Implemented
II	12	Procurement and Payment Practices	Not Implemented
II	13	Procurement and Payment Practices	Implemented
II	14	Procurement and Payment Practices	Implemented
II	15	Contracting	Implemented
II	16	Contracting	Implemented
II	17	Contracting	Implemented
II	18	Concession Revenue	Implemented
II	19	Concession Revenue	Implemented
II	20	Concession Revenue	Partially Implemented
II	21	Warehousing and Fixed Assets/Portable Equip.	Implemented
II	22	Warehousing and Fixed Assets/Portable Equip.	Partially Implemented
II	23	Payroll Exceptions	Partially Implemented
II	24	Bonuses	Partially Implemented
II	25	Bonuses	Partially Implemented
II	26	Bonuses	Partially Implemented

II	27	Bonuses	Implemented
II	28	Bonuses	Implemented
II	29	Bonuses	Partially Implemented
II	30	Leave Accounting	Not Implemented
II	31	Leave Accounting	Not Implemented
II	32	Leave Accounting	Implemented
II	33	Leave Accounting	Implemented
II	34	Payroll/Personnel Controls	Not Implemented
II	35	Industrial Accidents	Not Implemented
II	36	Industrial Accidents	Implemented
II	37	Industrial Accidents	Implemented
II	38	Industrial Accidents	Implemented
II	39	Industrial Accidents	Not Implemented
II	40	Payroll/Personnel Controls	Implemented
II	41	Payroll/Personnel Controls	Partially Implemented
III	1	Special Fund Transfers	Partially Implemented
III	2	Special Fund Expenditure Policies	Not Implemented
III	3	Special Fund Budgets	Partially Implemented
III	4	Special Fund Budgets	Implemented
III	5	Special Fund Budgets	Implemented
III	6	Special Recreation Fund Deposits and Transfers	Not Implemented
III	7	Special Recreation Fund Deposits and Transfers	Implemented
III	8	Trust Fund Revenue Distribution Documentation	Partially Implemented
III	9	Inactive Trust Funds	Partially Implemented
III	10	Inactive Trust Funds	Not Implemented
III	11	Trust Reconciliations	Not Implemented
III	12	Grant Expenditures and Claims	Partially Implemented
III	13	Grant Expenditures and Claims	Partially Implemented
III	14	Grant Expenditures and Claims	Implemented
III	15	Grant Expenditures and Claims	Implemented
III	16	Foundations	Not Implemented
III	17	Foundations	Implemented